

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

ORIGINAL



January 24, 2000

Magalie R. Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20024

EX PARTE OR LATE FILED

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FCC MAIL ROOM

***Re: Ex Parte Comments: Two Originals Filed in In the Matter of Federal-State
Joint Board on Universal Service, CC Docket No. 96-45, FCC 99-J***

Dear Ms. Salas:

In accordance with Section 1.1206(b)(1) of the FCC's Rules, the California Public Utilities Commission hereby submits for filing two copies of this letter, along with the attached letter, for filing in the public record of the above-referenced docket.

Thank you for your assistance in making these materials part of the public record.

Very truly yours,

Ellen S. LeVine
Counsel for California

ESL:nas

Enclosures

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Secretary
Federal Communications Commission
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Washington, D.C. 20554

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**Re: Ex Parte Comments: In the Matter of Federal-State Joint Board on
Universal Service, CC Docket No. 96-45, FCC 99J-2**

Dear Ms. Salas:

In accordance with Section 1.1206(b)(1) of the FCC's Rules, the California Public Utilities Commission hereby submits for filing two copies of this letter for inclusion in the public record in the above-referenced docket.

On December 15, 1999, Roseville Telephone Company (Roseville) filed reply comments in response to the Public Notice released by the Federal-State Joint Board on Universal Service (Joint Board) addressing the interim hold-harmless provision. In its reply comments, Roseville responds to the comments filed by the People of the State of California and the California Public Utilities Commission (California) regarding the FCC's hold-harmless provision. Roseville also discusses the need to replace the non-rural/rural demarcation point for different treatment of large and small companies with one that distinguishes between companies that serve more or less than 200,000 access lines. California takes this opportunity to respond to these portions of Roseville's reply comments.

In addressing California's comments in this proceeding, Roseville does not contest California's conclusion that loss of hold-harmless support would cost California telecommunications consumers an average of 27 cents per line per year. However, Roseville argues that California's analysis of the loss in hold-harmless support on a statewide basis fails to capture the significant impact of losing hold-harmless support on individual incumbent local exchange carriers (ILECs) in California.¹ Roseville adds that the loss of hold-harmless support would cost those ILECs as much as \$48.50 per line per year,² or \$4.04 per line per month.

¹ Roseville Reply Comments at 6-9.

² Id. at 6.

Roseville's conclusion that the loss of hold-harmless support should be evaluated on an individual ILEC basis as opposed to a statewide basis is flawed. In reaching its conclusion, Roseville erroneously assumes that each ILEC would recoup the lost hold-harmless support only from its own customers. While this is one alternative, it is certainly not the only alternative. State commissions may also create or expand state universal service funds to address the lost hold-harmless support. If state universal service funds are used, the lost support could be recouped from all providers of intrastate telecommunications services and their customers, as provided by Section 254(f) of the Telecommunications Act of 1996. State commissions could also choose to utilize a combination of rate increases and state universal service funds to address the shortfall in a manner that ensures that rates remain affordable. While California has not adopted these approaches to date, under either course of action, the impact on the customer rates of an individual ILEC, including Roseville, would not be unreasonable. By ignoring these realistic options for recouping lost hold-harmless support, Roseville overstates the rate impact to its customers.

Finally, notwithstanding the above, Roseville itself had proposed a *higher* level of monthly rates for residential customers than the rate it now complains of with the phase-out of hold-harmless support. In its last general rate case in California, filed in 1995 and effective in 1997, Roseville proposed a monthly residential customer rate of \$23.60, excluding surcharges. Adding the federal line charge would have increased this monthly rate to \$27.10. Roseville's proposed basic rate *exceeds* the monthly residential rate of \$26.04 that could result if the federal hold-harmless support were eliminated.³ In short, Roseville's objection to a possible basic residential flat rate of \$26.04 does not comport with its own proposal to charge a basic rate of \$27.10 in its last rate case.

Roseville also argues that non-rural ILECs that receive federal support and serve fewer than 200,000 lines in a study area should be treated in a manner similar to small rural ILECs. Roseville asserts that loss of hold-harmless support would affect those ILECs more adversely than ILECs with more than 200,000 lines. For this reason, Roseville urges the Federal-State Joint Board and the FCC to wait for the report of the Rural Task Force before deciding on transitional plans for those ILECs.⁴ The recommendations made by Roseville are clearly outside the scope of this proceeding and are more appropriately addressed in response to a company-specific petition to reclassify Roseville's non-rural carrier status.

³ The \$26.04 rate is calculated as follows: Roseville's current authorized basic rate of \$18.90, plus the \$3.50 federal end user charge, plus an additional \$4.04 resulting from flash cut of the federal line support.

⁴ Id. at 9-10.

Ms. Magalie R. Salas

01/24/00

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For this reason, California urges the Joint Board to disregard this portion of Roseville's reply comments.

Sincerely,

A handwritten signature in cursive script, reading "Ellen S. LeVine".

Ellen S. LeVine
Counsel for California

ESL:nas

Cc: Federal-State Joint Board Service List